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Innovation capability and culture: How time-orientation shapes owner-managers' perceptions

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ABSTRACT

This study offers a cross-cultural perspective to better understand how time orientation shapes owner–managers' perceptions of innovation capability in small and medium sized enterprises (SME) in tourism. We synthesise the extant literature and determine SME owner–managers' internal and external innovation capability. Distinguishing between short- and long-term cultures and comparing data from Australian and German, Austrian and Swiss (DACH country cluster) SMEs, results confirm that perceptions of innovation capability vary across cultures. Results for SMEs in *short term–oriented cultures* show stronger appreciation for consumer orientation, creating prospective profit and staff incentives; by contrast, SMEs in *long term–oriented cultures* place higher value on accessible knowledge, commitment to learning, and adaptation. To effectively manage innovation capability in SMEs, we suggest a balanced approach of considering both short- and long-term factors. Acknowledging the scarcity of SMEs' resources, we propose that owner-managers first focus on strengthening their internal organisational drivers of innovation to enhance their innovation capability. We also discuss implications for tourism policy, offer recommendations for the field of innovation research and note the study's limitations.

1. Introduction

This research explores how the cultural dimension of time orientation influences SME owner-manager's perceptions of innovation capability. So far in the tourism innovation literature, little is known about how culturally induced differences—such as short- or long-term time orientation—influence innovation at the individual level. To date, tourism management studies have discussed the role of national culture on a macro level—for example, how culture influences national innovation policy and national innovation systems (e.g., Hjalager et al., 2018; Rodriguez et al., 2014) and regional innovation (Liu & Nijkamp, 2019); how cultural path dependencies shape innovation in sustainable urban tourism development (Nilsson, 2019); or how culture is linked to innovation in the internationalisation processes of destination networks (Brandão et al., 2019).

Yet we argue that discussing how national culture shapes innovation at the individual level is equally important, as the general management literature clearly has long confirmed that national culture influences values, attitudes and behaviours (e.g., Hofstede, 1981; House et al., 2004; Trompenaars & Woolliams, 2003). Theoretically, we also support this argument with institutional theory, positing that SMEs and the owner–manager innovation perception is strongly influenced by national culture and social structures (Battilana et al., 2009; Baumol et al., 2009). Consequently, SMEs' micro-institutional environments (i.e., Powell & Colyvas, 2008) and values in the respective national cultures in which they operate affect innovation, too. Thus, our research focuses on tourism SMEs, specifically their owner–managers, to better understand how time orientation—a dimension of national culture—influences innovation at the individual level.

Time orientation is a dimension that differentiates national cultures. Time shapes human perceptions, values and behaviours (Grondin, 2010). Short term–oriented cultures appreciate recent and past times and quick achievements; by contrast, long term–oriented cultures focus on the future and value long-term planning (Hofstede & Minkov, 2010). Hofstede and Minkov (2010, p. 493) provide evidence of time orientation distinctions between nations, suggestions that 'national scores (…)

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correlate with certain family values, with school results, with business values, with environmental values and, under favourable historical conditions, with economic growth'. Culturally bound values of time orientation include an unconscious yet fundamental cognitive process individuals use to evaluate experiences (Kluckhohn & Strodtbeck, 1961).

Our literature review revealed two research gaps that we address in this study. *First,* the influence of time orientation on an owner–manager's understanding of innovation has so far been overlooked in both the extant tourism literature and the broader SME literature—as a result, there is little understanding of how national culture influences SMEs' innovation capability. *Second,* the extant innovation management literature often focuses on solving the debate regarding 'which time orientation leads to better innovation outcomes' (Lumpkin et al., 2010; Medcof & Wang, 2017; Tian et al., 2018). However, so far studies only offer inconsistent and contradictive findings. For example, one set of studies suggests that long-term orientation leads to better innovation outcomes than short-term orientation (Van Everdingen & Waarts, 2003) because of higher levels of perseverance (Lin, 2009) and creativity (Lumpkin et al., 2010). Yet researchers also point out that short-term values to respond quickly to consumption trends and to strive for rapid emotional satisfaction short-term orientation has led to better innovation outcomes (Hofstede & Minkov, 2010; Lumpkin et al., 2010).

In this research, we seek to advance the debate for the tourism context. Rather than contrasting the two time dimensions against each other to determine which leads to better innovation outcomes, our aim is to offer deeper insights by exploring the distinctiveness of short and long-term time orientations and how it might affect innovation. We thus explore the following questions: *What are the differences in the perception of factors of SME innovation capability with respect to long term– and short term–oriented cultures?* And *How can these differences be explained with theories of culturally induced time orientation?* Therefore, the focus of this research is to understand how the uniqueness of short- and long-term orientation influences innovation perceptions.

Innovation capability includes a combination of internal and external factors that drive businesses to implement their innovation strategy and form the key to competitiveness (Ferreira et al., 2020; Jaaron & Backhouse, 2018). High levels of innovation capability lead to stronger organisational performance (Taneja et al., 2016; Allen et al., 2015) and businesses searching for ways to strengthen their innovation capability (Hayton & Kelley, 2006; Marcati et al., 2008; Terziovski, 2010). Innovation capability is grounded in the resource-based view (RBV) of the firm and emphasises the dynamic capabilities, nature and development of factors that determine the ability to innovate (Teece, 2012). Tajeddini et al. (2017) highlight the processual nature of service organisations and the fact that their innovation processes cannot be separated from other practices and routines. The process that generates innovation capability typically comprises three stages: ideas generation, development, and implementation (Sundbo, 1997). In this regard, owner–managers can either actively create and implement their own innovations or adopt innovations from external sources (Casidy et al., 2020).

To understand the relevance and uniqueness of innovation in tourism, SMEs' embeddedness into the broader service system must be considered. Following a systems thinking perspective, customers, residents, businesses stakeholders and the respective tourism destination are included in the innovation process and might be even being integrated into tourism SMEs' innovation processes (Jaaron & Backhouse, 2018; Moreira et al., 2020; Zehrer et al., 2016). At present, it can be argued that adopting a systems thinking perspective has arguably become more relevant in terms of effectively responding to the large-scale effects of the current Covid-19 health and economic crisis. In this regard, SMEs' innovative capabilities could be regarded as the key incubator of innovation for their respective destinations and actors in the system.

This paper is structured as follows: *First,* we synthesise the external and internal factors of innovation capability. *Second,* we conceptualise the links between culture and innovation capability in the SME context. *Third,* we discuss culturally induced time orientation and its influences on innovation in SMEs. *Fourth,* we outline the research approach and present empirical survey data from SMEs in Australia compared with Germany, Austria and Switzerland (DACH country cluster). We selected Australia because as its cultural values represent strong short-term orientation patterns (e.g., Hofstede & Minkov, 2010); we selected the DACH country cluster for its overall high long-term orientation (Hofstede & Minkov, 2010; Wolf et al., 2011). *Finally*, we present the results and research recommendations and address the managerial and policy implications to better understand these cross-country cultural differences in innovation.

2. Theoretical framework

2.1. A Cross-Cultural Perspective on Innovation

Culture is described as the 'collective programming' of the individual (Hofstede, 1981). Culture 'includes what has worked in the history of the society—tools, concepts, ideas, norms, values, prejudices, standard operating procedures, unstated assumptions, patterns of sampling information from the environment—that most members of society teach to the next generation' (Triandis, 2004, pp. 29–30). International management research has long supported the notion that national culture significantly influences managers' behaviour (Hofstede, 1981; House et al., 2004; Kluckhohn, 1951; Laurent, 1983; Schwartz & Bilsky, 1987; Smith et al., 2002; Triandis, 1982; Trompenaars & Hampden-Turner, 1993; Trompenaars & Woolliams, 2003). Culture also shapes entrepreneurial behaviour and orientation (Jones & Davis, 2000; Kreiser et al., 2010), entrepreneurial values (Morris & Schindehutte, 2005) and firms' innovation capability (Turró et al., 2014). Trompenaars and Woolliams (2003, p. 364) summarise how national culture influences a business's ability to innovate in three ways:

1. The general relationships between employees in the organization 2. The vertical or hierarchical relationships between employees and their superiors or subordinates in particular, 3. The relationships of employees in the organization as a whole, such as their views of what makes it tick and what are its goals.

In the tourism management literature, the role of culture is often recognised at a macro level—for example, how culture influences national innovation policy and national innovation systems (e.g., Hjalager et al., 2018; Rodriguez et al., 2014); how cultural path dependencies shape sustainable urban tourism development (Nilsson, 2019); or how the link between national culture and the internationalisation processes of destination networks are made (Brandão et al., 2019). Muskat et al. (2013) note that service quality perceptions in tourism are highly influenced by cultural values, yet they do not link their study to innovation. The tourism management literature thus rarely discusses how culture shapes innovation behaviours at the individual enabler level. This means that to date, little is known about how culture influences innovation and managerial practices and perceptions of innovation.

Institutional theory theoretically supports the idea of a strong link between national culture and SMEs' innovation capability. Institutional theory scholars suggest that social structures influence institutional environments (Scott, 1987) and that culture affects entrepreneurial success (Baumol et al., 2009). Therefore, SMEs' micro-institutional environments (i.e., Powell & Colyvas, 2008) are likely to be influenced by the rules, norms, routines and values of the respective national cultures in which they operate, and all these factors will subsequently have an impact on innovation, too. However, there is limited understanding of how national culture influences SMEs' innovation capability (Taylor & Wilson, 2012; Turró et al., 2014). Autio et al. (2013, p. 334) point out that 'there is a dearth of studies that (…) explore the effects of national cultural practices on entrepreneurial behaviors by individuals'. Yet the influence of national culture on SMEs' managerial processes and practices might be even stronger that the extant literature currently assumes,

because of the prominent role played by SME owner-managers, who are the primary decision-makers and key to fostering, stimulating and adopting innovation activity (Casidy et al., 2020). SMEs owner–managers' own national culture influences innovation capability in the first instance. Thus, understanding innovation capability is a major challenge for SMEs.

2.2. Short- and long-term time orientation

The framework of culturally induced time orientation helps explain why some nations would rather focus on short-term achievements and others opt for long-term planning (Hofstede & Minkov, 2010). Short term–oriented cultures focus on the past and present, whereas long term–oriented cultures focus on the future (Bearden et al., 2006). Hofstede and Minkov (2010, p. 497) explain how cultural values shape cognition and subsequently influence managerial practice:

in short-term-oriented cultures, main work values are freedom, rights, achievement, and thinking for oneself. Personal loyalties vary with business needs. Long- and short-term-oriented cultures seem to represent two different ways of thinking, which can be characterized with the opposing labels 'virtue' versus 'truth', or 'synthetic' versus 'analytical'. On the long-term side, what works is more important than what is right.

The extant management literature often debates how time orientation influences innovation—and research findings that contrast the respective short- and long-term cultural values against innovation are contradictory and inconsistent. (e.g., Lin, 2009; Lumpkin et al., 2010; Medcof & Wang, 2017; Tian et al., 2018; Van Everdingen & Waarts, 2003). Consequently, it remains unclear how time orientation influences the ability to innovate. For example, one set of studies posits that long-term orientation is more beneficial for innovation then short-term orientation (Van Everdingen & Waarts, 2003) and reports a significantly higher positive influence of long-term orientation on innovation adoption performance (Lin, 2009). Lin (2009) argues that long-term values foster perseverance and endurance, which are needed to achieve results, for effective innovation. Lumpkin et al. (2010) state that some evidence supports the notion that long-term orientation increases a business's ability to innovate through higher levels of creativity. However, they also point out that short-term orientation improves innovation capability; as short successes are valued and tasks are completed quickly.

Other inconsistent results have been reported on the relationship between long-term orientation, high learning orientation and innovation. For example, Calantone et al. (2002) suggest that the long-term value of 'learning orientation' is beneficial for innovation. By contrast, Sheng and Chien (2016) show that a learning orientation only fosters incremental innovation and can prevent radical innovation and experimentation, which supports the view that short-term values are more beneficial in this regard. According to Harrison and Leitch (2005), learning orientation in entrepreneurship is strongly linked to refining and optimising existing processes and knowledge capabilities and triggers continuous innovation processes. As a result, the learning process constantly enables the ongoing adaptation of processes and products, yet does not lead to radical process and product innovations (Harrison & Leitch, 2005). Based on these inconsistencies, we posit that these factors might be appreciated differently across cultures and thus associated with different cultural values.

Thus, this study aims to understand how culturally induced differences in time orientation shape innovation behaviours in tourism small and medium enterprises' (SMEs) innovation capability. What is clear is that short term–oriented cultures focus on being in the present, being able to quickly respond to social trends in consumption, appreciating materialism and social success, and desiring rapid emotional satisfaction (Hofstede & Minkov, 2010). Examples of short-term value orientation emphasise on the 'now' (Bearden et al., 2006). In relation to innovation, this might mean that businesses swiftly respond to new consumer trends, but their short-term success might hinder their long-term learning and preparation for innovation. Hofstede and Minkov (2010, p. 497) argue that the

socialisation of short-term values comprises two value sets that have the potential to be contradictive: one is towards respecting social codes and being seen as a stable individual; the other is towards immediate need gratification, spending, and sensitivity to social trends in consumption.

Individual values in short term–oriented cultures include a strong need for achievement, the trait of thinking for oneself and varying business loyalties (Hofstede, 2001). Traditions are important, and while the present time is dominated by an appreciation for quick results, little attention is paid to investing in the future (Hofstede & Minkov, 2010).

By contrast, long term–oriented cultures appreciate long-term success. Examples of cultural values include respect for long-term planning, working hard for success, and persistence (Bearden et al., 2006). Further, they value life-long personal networks and their businesses are strategic, favouring long-term strategic positioning rather than immediate results (Hofstede, 2001). According to Hofstede (2001), long term–oriented cultures appreciate future rewards. Individual values in long term–oriented cultures include being honest, being accountable, having high levels of self-discipline and working hard. Building long-term business relationships and making long-term commitments are considered important (Hofstede & Minkov, 2010; Kluckhohn, 1951; Laitinen & Suvas, 2016; Rokeach, 1973). In terms of innovation, this could indicate that long-term strategies might hinder making quick responses to changed external circumstances that require innovation; however, it might support the argument for a strong appreciation of ongoing skill development and general high learning orientation. These values could facilitate learning how to be creative and how to strategically implement innovation. Laitinen and Suvas (2016) confirm that long term–oriented cultures appreciate learning, adaptation and perseverance in achieving results. Long-term orientation is typically attributed to Asian countries (e.g., Buck et al., 2010; Gilbert & Tsao, 2000; Zhou & Park, 2020), as it originates from and aligns with traditional Confucian values (Hofstede & Minkov, 2010). But some European nations, including German-speaking countries, show high long-term orientation.

To conclude, the literature review clearly shows that the key debate here is around contrasting short- and long-term time orientation in regards to innovation rather than understanding how each value set shapes innovation differently. Further, we note that while long-term orientation is more frequently discussed in the literature and is overall seen as more beneficial for innovation (e.g. strong long-term strategic positioning) there is evidence that in some respects, short-term values (e.g. being able to quickly respond and emphasise on the 'now') may also be highly effective contributing to innovation.

3. Innovation capability and tourism SMEs

Innovation capability includes factors that are necessary for businesses' ability to innovate (Castela et al., 2018). The resource-based view of the firm (RBV) suggests that organisations benefit from viewing their capabilities as dynamic in nature (Teece, 2012; Zahra et al., 2006), as it emphasises that SMEs need to continuously adapt their internal innovation processes and routines to stay relevant in their changing external environment (i.e., changed customer needs, technologies, competitors and regulations). Further, the RBV scholars highlight the importance of strategically aligning external and internal innovation capability factors (e.g., Lütjen et al., 2019).

3.1. External innovation capability factors

This paper conducts an comprehensive literature review and synthesises service SMEs' capability to innovate into four areas: 1) customer orientation, 2) market orientation, 3) external recognition and 4) financial stimuli. This subsection details the key elements of these four

external innovation capability. Above all, the extant literature considers customer orientation the key external factor in and driver of SMEs' innovation capability (Domi et al., 2019; Lemy et al., 2019). Both customer orientation and awareness of customers' needs have been closely associated with a firm's entrepreneurial orientation (Cui & Wu, 2016; Ngo & O'Cass, 2013. Proven ways of fostering a firm's innovation capability include keeping up with the needs of target groups—for example, by integrating customer feedback (Hauser et al., 2006) and, more recently, engaging in activities to stimulate open innovation (Ahn et al., 2015). SMEs' market orientation reduces uncertainty of their external environment; at the same time, externally absorbed knowledge is the key factor in SMEs' innovation capability.

Studies have identified that a lack of business absorptive capacity leads to competitive disadvantage (Lichtenthaler, 2009; McAdam et al., 2010; Williams & Baláž, 2015). SMEs typically have scarce resources, few economies of scale and limited research and development (R&D) investment (Peters & Buhalis, 2013; Pikkemaat & Zehrer, 2016). Innovation capability factors that lead to capabilities within the dimension of market-oriented innovation include relationship building, collaboration and creating networks inside and outside the firm's industry (Agarwal & Selen, 2013; Moreira et al., 2020). Additionally, technology is a key innovation factor for SMEs and is considered an essential element of innovation capability (Añón Higón & Driffield, 2011).

Particularly for SMEs in the tourism sector, collaborations are important in securing and creating competitive advantage through knowledge transfer (Novelli et al., 2006). Further, 'innovation in services is brought to market by a network of firms, or alliance networks, asset orchestration, knowledge sharing capabilities, resources and competencies, and operated in a coordinated manner' (Agarwal & Selen, 2013, p. 521). Collaboration and cooperation with other companies outside an SME's own industry have been proven to create advantages in knowledge transfer, especially in terms of technological innovation (Hauser et al., 2006). Yet Gnyawali and Park (2011) point out the 'co-opetition' dilemma for SMEs and to decide if it is better to compete or collaborate. When creating a technology-based alliance with a competitor SME, in particular, it can be challenging to attract both capable collaborators and trustworthy partners; however, making the right collaborator choice is important to avoid leakage of information (Gnyawali & Park, 2011).

External recognition and financial stimulants positively influence SMEs' innovation capability (O'Cass & Sok, 2013). External recognition and access to finance are becoming more important for SMEs as they increase both their cash flow and liquidity, allowing them to focus on improving their innovation capability (Love & Roper, 2015). As SMEs often have limited access to financial resources and external monetary incentives, subsidies and access to public support programs for innovation (Xiang et al., 2014) and awards (Jones et al., 2014) help them counterbalance these disadvantages (Kaufmann & Tödtling, 2002), particularly as limited access to financial stimulants may cause financial distress and lower the capacity to innovate (Keasey et al., 2014).

3.2. *Internal innovation capability factors*

Internal organisational factors strongly influence SMEs' innovation capability. Foremost, as with the dominant role of the owner–manager in decision-making, SMEs can influence those internal factors to a much greater extent than they can external factors (Ibrahim et al., 2001; Kaufmann & Tödtling, 2002). Thus, understanding the internal factors that encourage innovation is paramount so that SMEs can better steer and influence these factors. The literature review shows that while the importance of external factors to SME innovation capability has been extensively discussed, this is not the case for the internal innovation capability factors and stronger links on the importance of organisational factors in SME innovation are still to be established. Presumably, as a consequence, research also has not offered SME managers practical recommendations how to enhance internal organisational innovation capability, despite the important influence of human-related aspects on innovation (Tajeddini et al., 2020). Allen et al. (2015, p. 371) criticise the fact that still 'relatively little is known about the effective management of human resources supporting innovation efforts'.

To address this lack of understanding, this subsection synthesises the literature on internal innovation capability, grouping these internal factors into four dimensions: 1) organisational culture, 2) employee-related factors, 3) internal resources and 4) owner–manager characteristics. Establishing organisational culture that stimulates innovation through shared values, norms and tangible artefacts is essential to fostering innovation (Hogan & Coote, 2014). A pro-innovation culture is open to new ideas, changes and doing things differently and is directly linked to explorative–creative and exploitive–commercial behaviours (Lee et al., 2016).

Further, a strategic orientation towards a clear overarching vision and strategy includes commitment to innovation (Rubalcaba et al., 2009), learning and adaptation, and being open to new developments (Naranjo-Valencia et al., 2012). Employee-related innovation capability factors relate to entrepreneurial behaviours and personalities (Onkelinx et al., 2016). They include the entrepreneurial behaviour of staff (Pinchot, 1985) and personality traits such as openness to new experiences, agreeableness (Steel et al., 2012) and conscientiousness (Aronson et al., 2008; Zhao & Seibert, 2006). Research has also found that other internal resources, such as finances, can impede an SME's innovation capability; as the effectiveness of these resources are often attributed to the size of a firm (Kleer, 2008). In particular, firm size, capacity to invest in research and access to financial capital have been highlighted as influencing innovation capability.

Finally, owner–manager characteristics can be grouped into factors related to personality, individual capabilities and expertise; these all strongly influence a firm's capacity to innovate (Kirton, 2003; Marcati et al., 2008). For example, Kirton's (1976) Adaption–Innovation Inventory found that personality type differences in internal cognitive thinking and problem-solving were a distinguishing criterion of a firm's overall capacity to innovate. The study discovered that one group of people aimed to do things better ('adaptors'), whereas a second group aimed to do things differently ('innovators'). Innovators were regarded as the internal innovation factors. Later, Kirton (2003) added leaders as a third group of 'bridgers', who combined both sets of traits. Hutchinson et al. (2007) then combined the adaptation and innovation personality traits and argued that an innovative personality needs to exhibit both sides to be successful. To reduce the high risk that personal characteristics and owner–managers' lack of knowledge contribute to business failure in SMEs (Larsen & Lewis, 2007), Muskat et al. (2019) propose that their learned abilities should include the discovery and acting on opportunities, as well as owner-manager's awareness to regularly engage in practices of innovation.

In summary, the literature review provides a cross-cultural perspective on innovation, clearly showing that national culture influences firms' ability to innovate (Trompenaars & Woolliams, 2003) but also highlighting that the extant literature provides very limited insights on how SME managers' national culture shapes innovation capability. Whereas owner–managers with a long-term cultural orientation draw upon factors such as learning, planning, developing skills and thinking strategically to achieve long-term success, short term–oriented owner–managers concentrate much more on quick results by reacting to prevailing trends and market needs (e.g., Lumpkin et al., 2010; Medcof & Wang, 2017; Van Everdingen & Waarts, 2003). Thus, the following research question is addressed: *What are the differences in the perception of SME innovation capability factors with respect to long term–and short term–oriented cultures? How can these differences be explained with theories of culturally induced time orientation?* Subsequently, we pose the following alternative hypotheses:

H1: Owner–managers with long-term cultural orientation place higher emphasis on internal innovation capability factors.

H2: Owner–managers with short-term cultural orientation place

higher emphasis on external innovation capability factors.

4. Data and methodology

To investigate the formulated hypotheses, we contacted 519 SME owner–managers in Germany, Austria, Switzerland and Australia. The SMEs were chosen because they recently participated in innovation awards, and we therefore anticipated that they would be able to identify innovation factors (Zehrer et al., 2016). These awards were given to those businesses that had developed new products or services (e.g., hospitality, events, attractions at a tourism destination), made innovative organisational improvements (e.g., employer-branding strategies) and/or excelled in sustainability or customer engagement. To perform a comparative analysis of the differences in owner–managers' innovation perceptions, we selected Australia as a proxy for short-term orientation. According to Hofstede and Minkov (2010), Australian cultural values are strongly short term–oriented. Austrian, German and Swiss SME owner–managers were invited to participate as a proxy for long-term orientation as, according to Hofstede, they are ranked as moderately to highly long term–oriented. Research indicates that increasingly, Germany and Switzerland are even moving towards higher long-term orientation (Wolf et al., 2011); this contrasts with Australia, which has been aligning its cultural values with those of the United States, with a tendency towards become more short term–oriented (Hofstede & Minkov, 2010). We directly contacted the owner–managers of tourism SMEs and asked them to provide information on their overall perception of innovation in the tourism industry and of their own tourism business.

We designed an online questionnaire featuring questions about demographic indicators such as age, gender, qualifications, company size and industry experience; indicators of perceived importance of internal innovation factors; and indicators of perceived importance of external innovation factors. Measures for internal and external innovation factors were deducted from the extant literature (see Appendix 1 for details). Using a five-point interval scale, respondents were able to indicate the degree of the factors' importance (from 1 = very important to 5 = not important at all; 'does not apply' was also an option). The order of the factors was randomised to reduce the possibility of bias. The scale for external and internal factors is well established in the English-language literature; thus, the items were translated for the German-language version of the questionnaire. To account for possible language differences, we first discussed the questions with academic experts from the management field and conducted a pre-test with $n = 5$ respondents from Australia and the DACH country cluster. After the pre-test, we slightly modified the wording of some questions and made changes to their order. To evaluate differences between the short-term and long-term orientation represented by the datasets from Australia and the DACH country cluster, we employed a (Wilcoxon) Mann–Whitney *U* test. This nonparametric statistical test was applied because the respondents rated the items on a Likert scale, which is ordinal.

5. Results and discussion

The sample comprised 164 domestic SME owner–managers (n = 96 Australian; n = 68 DACH country cluster), with a response rate of 31.59%. The respondent profile was balanced between male and female. The majority of the businesses (77.08% Australian; 86.76% DACH country cluster sample) were SMEs with less than 50 employees. The majority of respondents (73.96% Australian; 48.53% DACH country cluster) had more than 10 years' industry experience. Table 1 details these characteristics.

Table 1
Profile of respondents.

	Characteristic	Australia (n = 96)	Austria/Germany/ Switzerland (n = 68)
GENDER			
	Male	51	40
	Female	45	28
COMPANY SIZE			
	1–9 employees	42	30
	10–49 employees	32	29
	50–249 employees	22	9
INDUSTRY EXPERIENCE			
	Less than a year	0	1
	1–3 years	1	6
	3–5 years	7	11
	5–10 years	17	17
	More than 10 years	71	33

5.1. Internal innovation capability factors

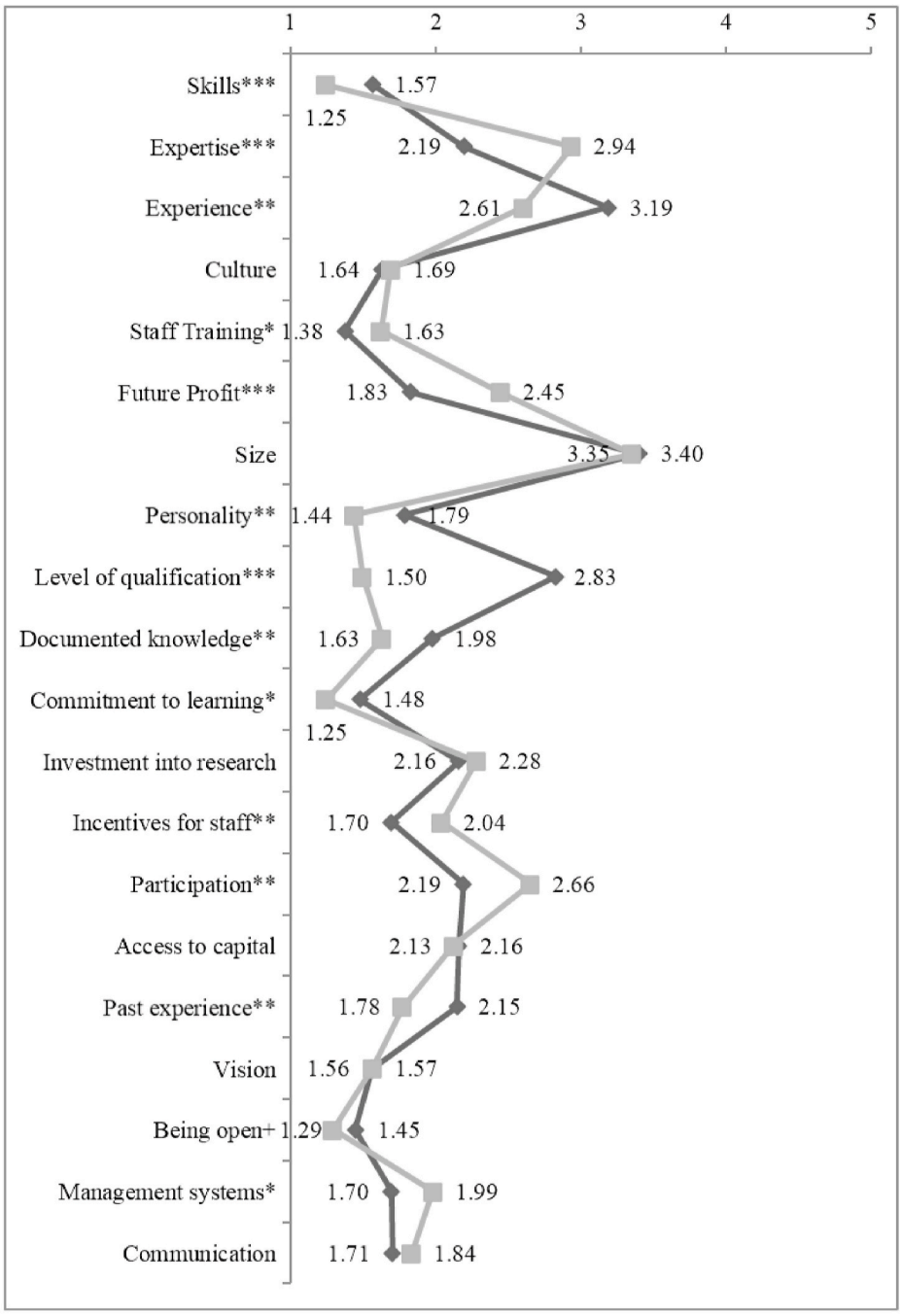
Fig. 1 summarises the average ratings for each internal enabling factor plus the statistical differences among the Australian and DACH country cluster samples. The results show that the DACH respondents rated 'skills' and 'commitment to learning' (mean = 1.25 for both) as very important for businesses' innovation capability. These factors were followed by 'being open' (mean = 1.29) and 'level of qualification' (mean = 1.5). In general, the Australian respondents did not rate the importance of most of the internal innovation factors as highly as the DACH respondents. The most important internal factor was 'staff training' (mean = 1.38), followed by 'being open' (mean = 1.45), 'commitment to learning' (mean = 1.48) and 'vision' (mean = 1.56).

The results for the internal innovation capability factors also show statistically highly significant differences between the two country clusters, with p-values below .01 for nine out of 20 internal factors (there were also statistical significant differences for three more factors, which had p-values below .05). This suggests that Australian owner–managers and DACH country cluster1 owner–managers ascribe different value to these internal factors regarding their contribution to innovation capability. Comparing the results for two groups, it is notable that the DACH respondents perceived owner–managers' individual characteristics, such as skills, experience, personality and level of qualification, as more important than their Australian counterparts.

Further, the results reveal differences among the perceived importance of 'documented and accessible knowledge' and 'commitment to learning and adaptation' in relation to innovation capability: both factors were rated higher by the DACH respondents than by the Australian respondents. In turn, the Australian respondents rated 'senior management's expertise from other industries', 'innovation should bring future profit', 'incentives for staff' and 'participation' as more important than the DACH respondents.

The extant literature has shown that long term–oriented cultures have a stronger appreciation of learning, adaptation and perseverance (Hofstede, 2001; Laitinen & Suvas, 2016). We now extend our findings, positing that in the tourism SMEs' innovation context, long term–oriented cultures perceive skills and learning orientation as a more important factor for the ability to innovate than short term–oriented cultures.

To interpret the evidence for short term–oriented cultures, it is notable that Australian respondents valued 'participation' as more important in terms of their innovation capability than their DACH long term–oriented counterparts. This result would not confirm Hofstede's (2001) finding that short term–oriented cultures have a stronger sense of thinking for themselves and varying business loyalties. Yet it is also known that short-term cultures are more achievement-oriented (e.g., Bearden et al., 2006; Hofstede, 2001; Hofstede & Minkov, 2010). Results for our context further show that tourism SMEs in short-term orientation perceive that 'innovation should bring future profit' and 'incentives for



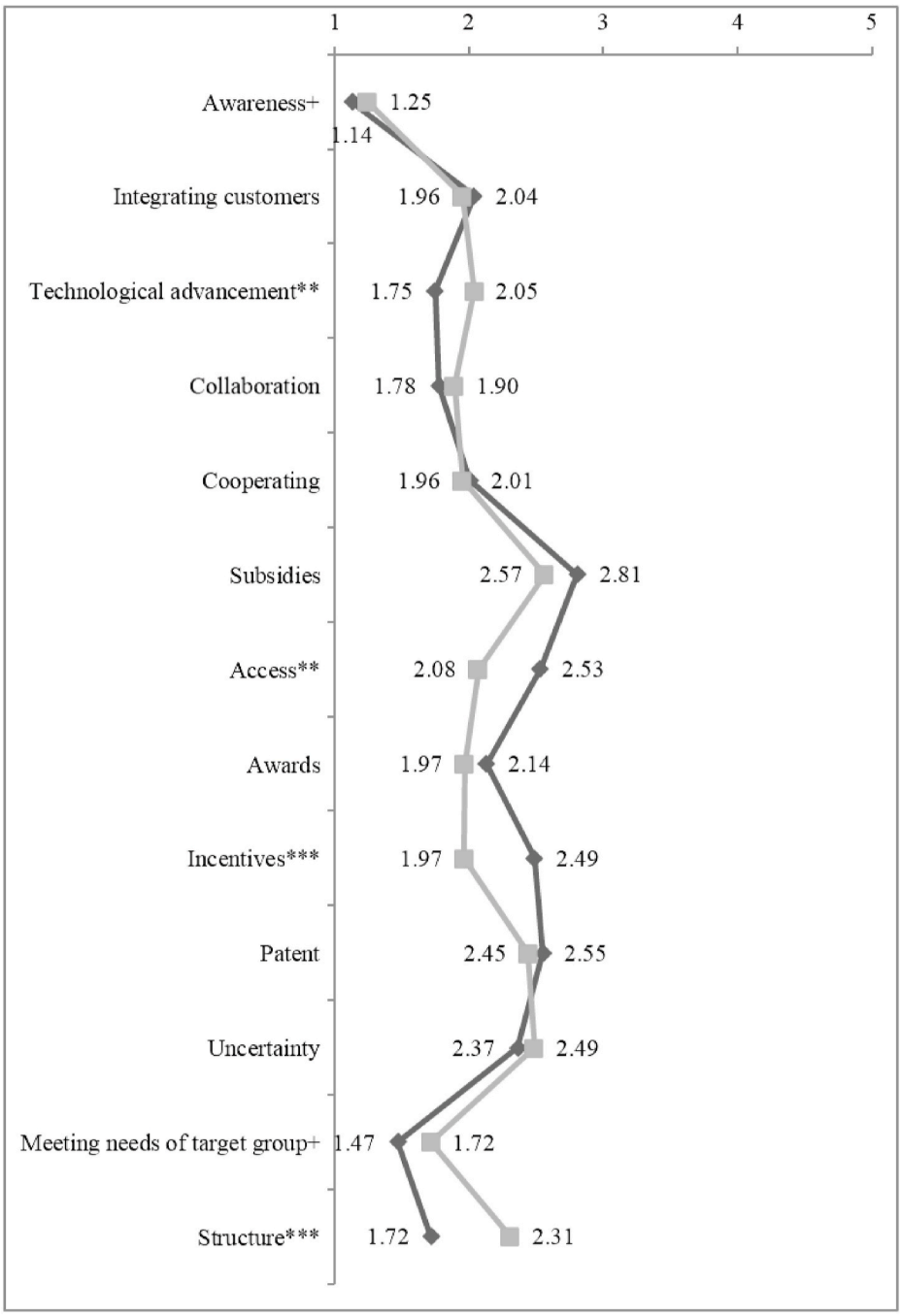
Note: $^{+}p < .1$; $^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$

Fig. 1. Differences among Internal Factors of Innovation Capability. (Key: black = Australia, grey = Germany/Austria/Switzerland; 1 = very important to 5 = not at all important).

staff'. To summarise our findings regarding H1, we cannot reject the null hypothesis of no difference between the countries for six out of 20 factors and for six additional factors rated more highly by the short term–oriented respondents. Only for eight out of 20 internal innovation capability factors can we accept the proposed alternative hypothesis: that long term–oriented cultures place higher emphasis on internal innovation factors.

5.2. External innovation capability factors

Fig. 2 presents the ratings for external innovation capability factors. The average ratings for each external enabling factor are depicted alongside the statistical differences between the Australian and DACH country cluster samples. Similar to the Australian respondents, who rated 'awareness of customer's needs' (mean = 1.14) and 'meeting needs of target groups' (mean = 1.47) as most important, the DACH respondents placed equally high importance on these two external factors: 'awareness of customer's needs' had a mean value of 1.25 and 'meeting needs of target groups' had a mean value of 1.72. However, the Mann–Whitney *U* test showed that the lower mean values of the Australian ratings were statistically significantly different at the 10% level from the mean values of the DACH ratings.



Note: $^{+}p < .1$; $^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$

Fig. 2. Differences among External Factors of Innovation Capability (Key: black = Australia, grey = Germany/Austria/Switzerland; 1 = very important to 5 = not at all important).

One notable difference between the two sample groups is that the DACH respondents rated 'access to public support programs for innovations' (p-value = .005) and 'incentives' (p-value = .000) as more important factors for innovation; Australian respondents perceived 'market structure and competitiveness' (p-value = .000) and 'technological advancement' (p-value = .004) as more important. This finding indicates that SMEs in the long term–oriented DACH country cluster more heavily emphasised relying on government funding, whereas Australian SMEs considered market orientation and technology as more important to their innovation capability. For Australia, this may indicate that SMEs are more responsive to market trends and short-term changes in consumption behaviour, which aligns with prior findings (e.g., Hofstede & Minkov, 2010). To summarise our findings regarding H2, we cannot reject the null hypothesis of no difference between the countries for seven out of 13 factors and for two additional factors rated more important by long term–oriented respondents. Only for four out of 13 external innovation capability factors can we accept the proposed alternative hypothesis: that short term–oriented cultures place higher emphasis on external innovation factors.

6. Conclusion

6.1. Theoretical contribution

Overall, this study confirms the existence of cross-country differences in owner–managers' perceptions of innovation capability in the tourism SME context. We conclude that for the tourism field, institutional environments and their respective rules, norms, routines and values (Scott, 1987; Powell & Colyvas, 2008) strongly influence entrepreneurial success and failure (Baumol et al., 2009). Thus, with our focus on exploring how the cultural dimension of time orientation shapes owner–managers' innovation perceptions, we shed light on an important yet rather neglected aspect in the tourism literature. Importantly, we extend literature on better understanding in innovation management—as thus far, studies have mostly concentrated on determining whether short term– **or** long term–oriented cultures generate better innovation outcomes (e.g., Lumpkin et al., 2010; Medcof & Wang, 2017; Tian et al., 2018). Our research clearly highlights that both cultures have unique strengths and limitations in terms of their innovation capability perceptions. Our detailed theoretical contributions are as follows:

First, our results show that SMEs in long term–oriented cultures place higher value on 'knowledge and learning' in relation to innovation capability (e.g., accessible knowledge, commitment to learning and adaptation). In the tourism innovation context, this result confirms that long term–oriented cultures have a stronger learning orientation (Figlio et al., 2019; Laitinen & Suvas, 2016; Van Everdingen & Waarts, 2003). *Second,* our results demonstrate that SMEs in short term–oriented cultures value 'employee participation' more than their long-term counterparts. Interestingly, this result contradicts prior findings suggesting that short term–oriented cultures generally have a stronger focus on thinking for themselves and varying business loyalties (Hofstede, 2001). *Third*, our results indicate that owner–managers in a short term–oriented culture value prospective profit and staff incentives as more important innovation capability factors than their long-term counterparts. With this result, we concur with existing research showing that short-term cultures are overall more achievement-oriented (e.g., future profit and incentives) (Hofstede & Minkov, 2010) and expand this finding to SMEs' innovation capability. Finally, we confirm that owner–managers in a short term–oriented cultures perceive being responsive to market changes (e.g., market structure and competitiveness, technological advancement) as more important than owner–managers in long term–oriented cultures. This finding also aligns with those of prior studies in a broader management context (Hofstede & Minkov, 2010).

6.2. Managerial and policy implications

Our study offers important managerial implications, recommending that tourism SME owner–managers benefit from understanding that their national culture influences their innovation capability. As it is known that tourism SME managers are usually more operation-oriented and that innovation management rather occurs on a spontaneous and/or intuitive level, considering and critically evaluating the effectiveness and strategic value of all innovation capability factors (as shown in Appendix 1) might be beneficial. Further, tourism is a highly global and internationalised business sector that is defined by cross-cultural encounters. Thus, understanding that SME owner–managers are highly influenced by an underlying culturally induced value set that shapes beliefs, routines and rules, and norms about time is particularly important. Knowing that time orientation influences innovation capability might prompt SME owner–managers to self-reflect. Further, assuming that a balance of long- and short-term factors leads to the best innovation outcomes, SMEs in long term–oriented cultures might consider strengthening some short-term factors and vice versa. To start with, we suggest that SMEs might consider improving their respective internal innovation capability factors, as these can be influenced to a much higher extent than external factors (Ibrahim et al., 2001; Kaufmann & Tödtling, 2002).

Important implications for tourism policy can be made, too. Our results show that the European SMEs in our sample perceive requesting governmental support and incentives as highly important to fostering innovation, whereas the Australian SMEs tended to rate competitiveness and technological changes as very important external factors. Thus, we conclude that education and training in the tourism industry needs to address these shortcomings in policymakers' educational offerings. In light of the current Covid-19 crisis, policymakers could provide online courses and encourage using the present time for strategic thinking. Online workshops could be offered to spark entrepreneurial and innovative thinking, possibly with the help of start-up or incubator training programs. Destination marketing organisations could further transfer their consumer and forecasting knowledge to SME owner–managers in the destination network to stimulate strategic thinking and innovation awareness. As short term–oriented cultures are not used to relying on subsidies or funding, they learned to find partners and collaborators to develop innovations. But Australian businesses must clearly identify in advance how investing in innovations will contribute to maximising profits in the near future.

6.3. Limitations and future research

This study has some limitations, which are addressed below. One is the selection process for the SME owner–managers. In this study, we chose two proxies to represent long- and short-term cultural orientation, but we acknowledge the existence of within-country cultural variation (Taras et al., 2016); we also did not account for other possible influential company-related (e.g., past investments in R&D, a firm's legal status) or environment-related factors (e.g., location-specific advantages or political/legal changes). In summary, the focus of this study was to explore the societal layer of culture—but we suggest that future research investigate the influence of other cultural layers (e.g., see Steenkamp, 2001 for macro and micro cultures) and how these moderate time orientation at the individual level.

This research focused on owner–managers' perceptions and did not assess employees' views of the internal and external innovation capability factors. Future research might integrate employees' perspectives to obtain insights into perceptions of innovation and might consider owner–managers' openness to sharing innovation knowledge (e.g., Freel & Robson, 2017). Moreover, new research could explore how the owner-managers and employees develop innovative behaviours and these practices, as this is currently and area that remains rather unexplored for SMEs (Anand et al., 2021). Further, we highlight that customers are an important external innovation capability factor. However, with our focus on owner–managers' national culture, we did not include customer-oriented value systems (e.g., Tajeddini & Trueman, 2012). Thus we suggest that future research explore how customers' national culture might shape the innovation process for SMEs.

Moreover, we acknowledge that by selecting companies that have been awarded for their innovation, we did not capture how successfully these companies were after winning these awards. Finally, the internal and external factors included in the study were those for which there was already analysis available in the literature, which means many other variables could equally be applied and analysed. Future research might also consider the dynamics of time—for example, how time orientation changes during a business life cycle, and how it might adapt to a time-bound context. Future research could thus investigate whether short-term orientation might play an important role in a volatile market situation and/or in the earlier phases of business development. Instead, long-term orientation becomes more important when owner–managers deal with succession or business legacy.

Note: $+p < .1$; $*p < .05$; $**p < .01$; $***p < .001$.

Note: $^{+}p < .1$; $*p < .05$; $**p < .01$; $***p < .001$.

Appendix 1. Dimensions and Measures of SMEs' Innovation Capability

Dimension	SMEs' Innovation Capability	References
SMEs' External Factors of Innovation Capability		
Customer	- awareness for customers' needs - integrating customers through surveys - meeting needs of target groups	e.g., Ahn et al., 2015; Cui & Wu, 2016; Eggers et al., 2013; Hauser et al., 2006; Konsti-Laakso et al., 2012; Moreira et al., 2020: Ngo & O'Cass, 2013.
Market	- cooperating with other companies—outside the industry - collaboration with other companies—within the industry - market structure and competitiveness - patent protection and trademark rights - technological advance - uncertainty of external environment	e.g., Agarwal & Selen, 2013; Carayannis & Grigoroudis, 2014; Hauser et al., 2006; Moreira et al., 2020; Novelli et al., 2006; Parida et al., 2012; Tomlinson & Fai, 2013; Williams & Baláž, 2015.
External recognition and financial stimulants	- access to public support programs for innovations - receiving subsidies - winning awards	e.g., Czarnitzki & Lopes-Bento, 2014; Kaufmann & Tödtling, 2002; Meuleman & De Maeseneire, 2012; Zehrer et al., 2016.
SMEs' Internal Factors of Innovation Capability		
Organisational culture	- being open towards new developments - commitment to learning and adaptation - innovation is part of the organisational culture - vision and strategy includes innovation	e.g., Hogan & Coote, 2014; Lee et al., 2016; Naranjo-Valencia et al., 2012; Rubalcaba et al., 2009; Zehrer et al., 2016.
Employees	- incentives for employees - intrapreneurial behaviour - level of qualification of manager/s - management systems/quality systems - staff participation - staff receive training (skills and knowledge of employees)	e.g., Allen et al., 2015; Aronson et al., 2008; Pinchot, 1985; Rigtering & Weitzel, 2013; Steel et al., 2012; Triguero et al., 2013; Van der Sijde et al., 2013; Zhao & Seibert, 2006.
Resources	- access to investment capital - documented and accessible knowledge - investment into research - size of organization	e.g., Baldock & Mason, 2015; Classen et al., 2014; Cowling, 2016; Foreman-Peck, 2013; Laforet, 2013; Love & Roper, 2015; O'Cass & Sok, 2013; Zehrer et al., 2016; Zucchella & Siano, 2014.
Owner–manager	- expertise from other industries - international experience - promoting constant innovation - methodological skills and general know-how in the industry - personality	e.g., Brouthers et al., 2015; Hutchinson et al., 2007, Kickul & Gundry, 2002; Kirton, 2003; Klewitz & Hansen, 2014; Larsen & Lewis, 2007; Marcati et al., 2008; Muskat et al., 2019; McAdam et al., 2014.

1 And for additional two factors a significance level of $p < .05$.

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